

PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP

1615 L STREET, NW
WASHINGTON, DC 20036-5694
TELEPHONE (202) 223-7300
FACSIMILE (202) 223-7420

LLOYD K. GARRISON (1946-1991)
RANDOLPH E. PAUL (1946-1996)
SIMON H. RIFKIND (1950-1995)
LOUIS S. WEISS (1927-1990)
JOHN F. WHARTON (1927-1977)

1285 AVENUE OF THE AMERICAS
NEW YORK, NY 10019-0084
TELEPHONE (212) 373-3000
FACSIMILE (212) 757-3990

62, RUE DU FAUBOURG SAINT-HONORÉ
75008 PARIS, FRANCE
TELEPHONE (33 1) 53 43 14 14
FACSIMILE (33 1) 53 43 00 23

FUKOKU SEIMEI BUILDING
2-2 UCHISAIWAICHO 2-CHOME
CHIYODA-KU, TOKYO 100-0011, JAPAN
TELEPHONE (81-3) 3597-8101
FACSIMILE (81-3) 3597-8120

WRITER'S DIRECT DIAL NUMBER

202-223-7340

WRITER'S DIRECT FACSIMILE

202-223-7440

WRITER'S DIRECT E-MAIL ADDRESS

pspector@paulweiss.com

ORIENTAL PLAZA, TOWER E3
SUITE 1205

NO. 1 EAST CHANG AN AVENUE
DONG CHENG DISTRICT

BEIJING, 100738
PEOPLE'S REPUBLIC OF CHINA
TELEPHONE (86-10) 8518-2766
FACSIMILE (86-10) 8518-2760/61

12TH FLOOR, HONG KONG CLUB BUILDING
3A CHATER ROAD, CENTRAL
HONG KONG
TELEPHONE (852) 2536-9933
FACSIMILE (852) 2536-9922

ALDER CASTLE
10 NOBLE STREET
LONDON EC2V 7JU, U.K.
TELEPHONE (44 20) 7367 1600
FACSIMILE (44 20) 7367 1650

PARTNERS RESIDENT IN WASHINGTON

HENK BRANDS
PATRICK S. CAMPBELL
KENNETH A. GALLO
ROBERT P. PARKER
WARREN B. RUDMAN, OF COUNSEL
DALE M. SARRO
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JUDITH R. THOYER*
DANIEL J. TOAL*
MARK A. UNDERBERG*
MARIA T. VULLO*
THEODORE V. WELLS, JR.
STEVEN L. WOLFRAM*
LISA YANO*
JORDAN E. YARETT*
ALFRED D. YOUNGWOOD

*NOT AN ACTIVE MEMBER OF THE DC BAR.

June 1, 2004

By Hand

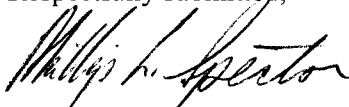
Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, N.W.
Washington, DC 20554

Ex Parte Communication – IB Docket No. 02-34

Dear Ms. Dortch:

On June 1, 2004, Bryan McGuirk, Senior Vice President of SES AMERICOM, Inc. ("SES AMERICOM"); Nancy Eskenazi, Vice President and Associate General Counsel of SES AMERICOM; and the undersigned met in person with Sam Feder, Office of Commissioner Martin, for the purpose of discussing matters identified in the attached document, which was distributed at the meeting. We are filing an original and one copy of this letter and the attachment in the referenced docket.

Respectfully submitted,



Phillip L. Spector
Attorney for SES AMERICOM, Inc.

Attachment

cc (via e-mail, with attachment):
Sam Feder
Qualex International

SPACE STATION LICENSING: THE “BUSINESS-FRIENDLY” BOND

IB DOCKET NO. 02-34
JUNE 1, 2004

I. CURRENT BOND APPROACH

- Ramps down as the satellite project ramps up:
 - From \$5M at FCC licensing, down to \$1.25M on commencement of construction, to zero at launch.
- Does not comport with public interest concern about orbital/spectrum warehousing:
 - If a project is abandoned just before launch, bond is at its lowest point, BUT
 - Harm to public interest is greatest (harm is a function of time).
- Discourages the satellite operator from pioneering new frequencies/orbital slots.

I. CURRENT BOND APPROACH (cont.)

- Ignores commercial realities:
 - Need for risk-sharing with major customers;
 - Customer can't commit until FCC license/slot/frequencies are assured.

- Is most expensive when the project is most uncertain:
 - The operator is not, at FCC licensing, weighing a \$5M bond against a \$200M satellite project.
 - Rather, the operator is weighing the bond cost against the very low expenditures at project inception, at a time when the project is at highest risk of cancellation.

II. PROPOSED “BUSINESS-FRIENDLY” BOND

- Would ramp up as the satellite project ramps up:
 - *E.g.*, from \$500,000-\$1.25 million at FCC licensing to \$5M at construction commencement.
- Would address the public interest concern re warehousing:
 - The satellite operator would pay more through the bond (if the satellite is not ultimately launched) the longer that orbital/spectrum resources are not available to others.
 - The incentives for the operator – to relinquish a license early if it will not be used – would thus be aligned with the public interest objectives.

II. PROPOSED “BUSINESS-FRIENDLY” BOND (cont.)

- Would address the FCC's concern about speculators:
 - A potential forfeiture of \$500,000 - \$1.25 million is significant even for the largest companies, and would certainly deter those involved solely for speculation.
 - Within one year, the bond would ramp up to a higher amount (e.g., \$2.5 million), thereby increasing speculator deterrence as the public interest harm (from warehousing) increases.
 - The Commission's new satellite licensing rules contain several other deterrents to speculation:
 - Limits on the number of applications;
 - Strict milestone requirements;
 - "Black marks" for those missing milestones ("3 strikes and you're out");
 - Substantial completeness requirement for applications.

II. PROPOSED “BUSINESS-FRIENDLY” BOND (cont.)

- Would more closely track the satellite operator’s risk profile for a new project:
 - As the operator makes decisions to move forward at each stage, the project becomes more certain.
 - Bond exposure would be appropriately synchronized with the reduction in program risk.
- Would be proportional to capital expenditures on a project:
 - As the operator invests more project \$\$, it is willing also to invest in a higher bond.

